

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7585

BILL NUMBER: HB 1988

DATE PREPARED: Jan 23, 1999

BILL AMENDED:

SUBJECT: Police officers' pension benefits.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill provides that members of the 1977 police officers' and firefighters' retirement and disability fund who are police officers may retire with full benefits at 50 years of age and may retire with reduced benefits at 48 years of age. It provides that the retirement benefit payable to a police officer who is a member of the 1977 Fund is based on the average monthly salary earned by the police officer in the three years during which the member's salary was the greatest. The bill provides that a police officer who is a member of the 1977 Fund vests in the fund after ten years of service. It provides that a police officer who is a member of the 1977 Fund who is disabled before reaching 50 years of age is entitled to a monthly benefit determined as if the member were retiring at 50 years of age. The bill provides that 1977 Fund benefits payable to a police officer for certain impairments are payable until the member reaches age 50, at which time the member is entitled to receive the retirement benefit payable at 50 years of age. For a police officer who is a member of the 1977 Fund, reduces to age 50 the age limit for the calculation of benefits paid for certain impairments, and requires the impaired member's subsequent retirement benefit to be calculated based on full retirement at 50 years of age.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: This bill makes several changes to the 1977 Plan. The fiscal impact is shown below:

	<u>Converted</u>	<u>Non-Converted</u>
Increase in actuarial liability	\$29.8 million	\$80.0 million
Increase in annual funding by employer	(See Below)	21% to 25.9%*

* of salary of First Class Police Officer or Firefighter

NOTE: This is an estimate. It will be updated upon receipt of current data.

Since the Converted Plan is funded on a pay-as-you-go basis, The fiscal impact is shown below:

<u>Year</u>	<u>Increase in Expected Benefit Payouts</u>
1999	\$6,517,511
2000	\$7,245,652
2001	\$7,826,149
2002	\$8,031,757
2003	<u>\$8,237,699</u>
Total	\$37,858,768

This bill will affect only those active participants in the 1977 Plan (1,445 Converted Members and 8,113 Non Converted Members as of January 1, 1998) who will retire after the bill is enacted.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Those units with members in the 1977 Police and Fire Fund.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for the Police and Fire Funds, 576-1508.

Unfunded Actuarial Liability--The unfunded actuarial liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.

Pay-As-You-Go Method--The Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Converted Members - Members hired before May 1, 1977 who have elected to convert to the benefit structure of the 1977 Act.

Non-Converted Members - Members hired after April 30, 1977, all of whom are covered by the benefit structure of the 1977 Act.